because additional factual information would change the situation (assuming more information could be obtained), but is due to the fact that the differences in policy position are based upon philosophical differences. Accordingly, in my view, we do not need more data--but simply policy decisions.

Sincerely,

original signed by

James E. Denny
Acting Assistant General
Counsel for Patents

Enclosures:
1. ERDA 76-16 w/appendices
2. Patent Regs. - F.R. 7/13/77

cc: J. M. Deutch, DOE, w/o encls.
K. P. Ewing, DOJ, w/encls.

PAT

JEDenny:dh
5/22/78

MAY 19 1978

Mr. Ky P. Ewing, Jr.
Deputy Assistant Attorney General
Antitrust Division
U.S. Department of Justice
Washington, D.C. 20530

Dear Mr. Ewing:

I am enclosing a copy of my letter to Dr. Jordan J. Baruch which supplies the information he requested during yesterday's meeting on Government patent policy. I believe that you may find a lot of the information of interest.

Dr. Baruch's letter has enclosed a copy of the initial ERDA Report to Congress which you specifically requested. Of particular interest in the main volume is the historical summary of Government patent policy, the review of legislation enacted in this area, and the development of the ERDA-DOE legislative patent policy. Appendix C provides a transcript of our public hearings and written comments on ERDA patent policy and on compulsory licensing.

Roger Andewelt has access to the information referred to in the letter to Dr. Baruch as being in the possession of Barry Grossman. If I can provide you with any additional information or assistance in considering this policy issue, please let me know.

Sincerely,

Original signed by

James E. Denny
Acting Assistant General
Counsel for Patents

Enclosures:
cc of ltr. w/encls.
to Dr. Baruch

cc: Dr. J. Baruch, Commerce
R. V. Allen, Justice ---did not encl.
ERDA 76-16 or Pat Regs.

THE NUTS AND BOLTS OF GREAT BUSINESS PLANS

(2007-2008)



Information Packet for Syracuse University Students, Business Plan Competitors, EESA Students, Bootcamp Participants, and WISE Center and SSIC Clients

Department of Entrepreneurship and Emerging Enterprises
Whitman School of Management
Syracuse University
http://whitman.syr.edu/eee/

Revised and Updated July 2007
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Table of Contents

	Page
A Note on Your Team's Overall Approach	2
A Plan is Worthless without the Research: Some Tips	3
Required Outline or Structure for Your Business Plan	4
Suggested Length for the Sections of the Plan	6
Formatting and Use of Tables and Figures	6
Breakdown of the Major Sections of the Plan	7
Forty Issues to Die For	25
Sample Rating Sheet Used by Judges: Written Plan	27
Sample Rating Sheet Used by Judges: Oral Presentation of Plan	28

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A NOTE ON YOUR TEAM'S OVERALL APPROACH

~ A business plan is where imagination meets discipline. ~

A business plan is not a checklist, where you address sections one by one. It is a living, breathing document. You are telling a story, and bringing a venture to life. It is about a company, not a product or an idea. A company has many facets, and these are reflected in the various sections of the plan. Most critically, the sections are **highly interdependent**. They must be internally consistent and "hang together". As you subsequently make changes to one section, you will find yourself having to go back and make adjustments to a number of other sections.

It is the **discipline** of the plan that will help you see critical flaws in your idea, in how you plan to price, in your cost requirements, in your operational approach, in your marketing methods and so forth. You will have to continually adapt as you learn more about this business and the industry within which it will operate. Using the plan as a framework, it will help you to 'tweak' or adjust aspects of what you propose to do in ways that make the venture more viable.

A business plan is also an objective and fact-based document. Address the upside and the downside. Make clear you understand what can go wrong. Be conservative. And importantly, the plan is not written in first person, so be sure to eliminate all use of 'I', 'We', 'Our', and 'Us'. Use your company name to refer to the business.

It is critical that you organize your team in a logical fashion. If you divide sections among people, some sections require multiple people for a number of weeks, others might only require a single person and can be accomplished in a shorter time period. Do the financials last, but the economics fairly early in the process. The market section will be the hardest and take the longest. You should start on it right away. A logical approach is to break the overall plan down into **THREE STAGES**.

- First, attack four key sections: the Industry, the Company/Concept/Products, the Market, and Economics (think of this as **stage one**); These sections will lay out the nature of the opportunity and how you are going to capitalize on it;
- Then, go after the Marketing, Design and Development, Operations, and Management Team sections (**stage two**); These sections really get at the nitty-gritty of how you will make things operational;
- Finally, address the Risks and Assumptions, Timetable, Financials and the Offering or Deal (**stage three**). Here you focus on implementation, what can go wrong, how the business will perform, and how much money is needed.

Be sure that you have people assigned to ensure the internal consistency among sections in the final document.

Ultimately, write this plan for yourself, not for a course or an instructor or a competition. It will be an invaluable part of your professional portfolio, and it will give you a skill set that you will use for the remainder of your professional life.

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THE PLAN IS WORTHLESS IF YOU DON'T DO THE RESEARCH: Some Helpful Tips

The best plans are almost always the ones where the teams gather the best information, do the most library and secondary research, do the most field research (talk to prospective competitors, customers and suppliers), and dig as deeply as possible for information. Not only does more information help you to better justify positions, and ensures you have anticipated the real challenges, but it is a rich source of creative inspiration---when you see some of the more innovative approaches and techniques being employed by others. Most of the answers you seek are hard to find, do not exist in one place, and must be pieced together. The research for a great plan is truly a "scavenger hunt".

We have prepared for you an excellent resource regarding where you can find key facts, figures and insights. Many, but certainly not all, of the specific sources are available electronically. Please go the website below as a beginning point for your research:

http://libwww.syr.edu/research/internet/management/BusinessPlans.html (note the B and P must be upper case)

If you limit your search to looking on the web through Google or some other search engine, **you will miss most of the best research that will support your venture.** In addition to the site above that we have prepared for you, it is vital that you go to the library (can do this on-line) and do a search using ABI-Inform (on Syracuse U. website, click Research, then Library, then Databases, then Business and Management, then ABI-Inform. Then enter the key words that relate to your venture. There are many other rich sources of information and data, from Mintel Reports to a wide array of government publications such as County Business Patterns.

The librarians can be extremely helpful. You are especially encouraged to seek help from the government publications librarian. **It is also vital that you get out in the field and talk to suppliers, competitors, customers, trade associations, and potential investors. They will open your eyes to things that you simply had not considered.**

Remember that a business plan is not a term paper, so references should be used sparingly. Nonetheless, they should be used and a **'references' or 'key sources'** should appear at the back of the plan. Cite references to key numbers or research that support your case. When you conduct interviews, cite the date and place of the interview in your 'references' section.

REQUIRED OUTLINE FOR BUSINESS PLANS

Department of Entrepreneurship and Emerging Enterprises
Syracuse University

EXECUTIVE SUMMARY

- Opportunity Statement
- Business Concept and Product or Service
- Description of the Target Market
- Competitive Advantage
- Essence of Marketing Approach
- Economics and Breakeven
- Technology and Operational Issues
- The Team
- Financial Highlights
- Financing Needs and How the Team Proposes to Raise the Money

I. THE INDUSTRY

II. THE COMPANY, CONCEPT AND PRODUCT(S) OR SERVICE(S)

A. The Company and the Concept
B. The Product(s) or Services(s)
C. Entry and Growth Strategy

III. MARKET RESEARCH AND ANALYSIS

A. Definition of Your Relevant Market and Customer Overview
B. Market Size and Trends
C. Buyer Demographics and Buyer Behavior
D. Market Segmentation and Targeting
E. Competition and Competitive Edges
F. Estimated Market Share and Sales Figures
G. Ongoing Market Evaluation

IV. THE ECONOMICS OF THE BUSINESS

A. Revenue Sources and Gross and Operating Margins
B. Fixed and Variable Costs
C. Operating Leverage and its Implications
D. Start-up Costs
E. Breakeven Chart and Calculation
F. Overall Economic Model : Logic of Profit
G. Profit Potential and Durability

V. THE MARKETING PLAN

A. Overall Marketing Strategy
B. Pricing
C. The Selling Cycle
D. Sales Tactics
E. Advertising and Sales Promotions
F. Publicity

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A. Definition of Your Relevant Market and Customer Overview

G. Customer Service
H. Warranty or Guarantee Policies
I. Distribution

VI. DESIGN AND DEVELOPMENT PLAN

A. Development Status and Tasks
B. Difficulties and Risks
C. Product Improvement and New Products
D. Projected Development Costs
E. Proprietary Issues/Intellectual Property (patents, licenses, copyrights, brand names)

VII. OPERATIONS PLAN

A. Operations Strategy and Plans
B. Operating Model and Cycle (front stage and back stage)
C. Geographic Location and Physical Location Requirements
D. Facilities and Improvements
E. Equipment Requirements
F. Capacity Levels and Inventory Management
G. Legal Issues Affecting Operations

VIII. MANAGEMENT TEAM

A. Key Management Personnel and Responsibilities
B. Organization Structure
C. Management Compensation and Ownership
D. Other Partners and Current Investors
E. Employment and Other Agreements, Stock Option and Bonus Plans
F. Board of Directors
G. Other Shareholders, Rights, and Restrictions
H. Supporting Professional Advisors and Services

IX. OVERALL SCHEDULE

X. CRITICAL RISKS, PROBLEMS, AND ASSUMPTIONS

***XI.* FINANCIAL PLAN** *(5 years of statements go in appendix)*

A. Highlights of the Financial Statements
B. Months to Breakeven and to Positive Cash Flow
C. Key Financial Assumptions (unless covered in preceding section)
D. Key Cost Controls
E. Pro Forma Income Statements
F. Pro Forma Balance Sheets
G. Pro Forma Cash Flow Analysis

XII. PROPOSED COMPANY OFFERING

A. Desired Financing
B. Proposed Offering
C. Capitalization
D. Use of Funds
E. Investor's Return

XIII. APPENDICES (including one on key sources used)

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SUGGESTED LENGTH FOR THE SECTIONS OF YOUR BUSINESS PLAN

Below are some general guidelines for the length of the key sections of your business plan after you have done final editing and streamlining:

Table of Contents (1 page)
Executive Summary (2-3 pages)
Industry Description (2-3 pages)
Company, Concept and Products/Services (2-3 pages)
Market Analysis (3-5 pages)
Economics of the Business (2-3 pages)
Marketing and Communications Strategy (2-4 pages)
Design and Development (2 pages)
Operations Plans (2-4 pages)
Management Team (1-2 pages)
Risk and Assumptions (1-2 pages)
Timeline (1-2 pages)
Financial Projections and Highlights (1-2 pages) (note: financial statements will be in appendices)
Offering (1 page)
Appendices (no more than 15 pages)

*Please note: As a general rule, plans are much longer with the **first draft**, and then through revisions are edited down to a content-rich but streamlined **final version**. Page length is determined by the audience for the plan. In some instances a plan of no more than 10 pages is preferred. For the Capstone Competition and course the business plan should consist of no more than 60 pages in total (i.e. including all text, exhibits and appendices. For the Syracuse Panasci Competition, plans should not exceed 35 pages plus 15 pages of appendices (total of 50 pages).*

FORMATTING AND USE OF TABLES AND FIGURES

It is generally expected that you will use one inch margins on all sides, and a 12 font. Anything less than an 11 font is not acceptable. Spacing is up to you, but plans a typically either double-spaced or 1.5 spaced. You should cite key references in the text using the following notation in parenthesis at the end of the sentence from which the citation is taken: (author, year). Thus you will put (Jones, 2006) if Jones is the author. If there is no author, you will put the source and the date, as in: (U.S. Department of Commerce, 2007). If a direct quote, cite the page number, as in (Jones, 2007, p. 45). There then should be a complete set of references at the end of the plan.

Bring the plan alive. One of the worst things you can do is to write a plan that consists of page after page of unbroken text. Use headings, sub-headings, and sub-sub-heading to break up the text. Just as critically, use tables and figures (exhibits) to break up the text, to illustrate key points, and to bring the plan to life. It is often possible to significantly shorten the text in a given section by using a couple of tables and figures. A picture or diagram can tell a vivid story. Be sure every table and figure is numbered, titled, and referred to in the text.

A BREAKDOWN OF THE MAJOR SECTIONS OF YOUR BUSINESS PLAN

THE EXECUTIVE SUMMARY (2-3 pages max)

Although this is the first section of the plan, the Executive Summary is the last section to be written. The Executive Summary concisely summarizes the essence of the business and the **key decisions** made by the entrepreneurial team in each area of the plan. It is not merely an abbreviated business plan. The reader should be able to get a clear picture of the business, but at the same time should be enticed to want to read more.

Many teams fail to consider adequately their markets, their customers and a business model that will enable them to achieve success. Instead they often get wrapped up in an interesting technology or product, which is not the same thing as an attractive business. The questions below will help you focus on the aspects of your executive summary that are relevant to the business plan. These are some initial considerations that first time readers (venture capitalists, banks, business plan judges, etc.) look at before going on to evaluate the members of the team and the soundness of any financial projections. Make sure that you executive summary provides answers to these questions in addition to giving the reader an overview of the highlights from your business plan for the new venture.

Opportunity Statement:

- What is the nature of the opportunity or problem?
- Why is the opportunity now? What is the size of the opportunity?

Business Concept and Product or Service:

- How would you describe the business to a potential investor, team member, or customer if you had only a short elevator ride to share together? Make sure you have a succinct and powerful way to express your business concept.
- What is unique about this venture?
- Develop a brief concept statement for the product or service that can be shown to potential customers.
- How will the product be used? What are some unique features? What existing problem(s) will you solve with your service or product offering? What are the primary benefits to customers? How does your solution improve or replace current offerings?

Competitive Advantage:

- What special knowledge or technology do you possess and how will you protect it?
- What are the barriers to entry? Who will the competitors be?
- How will your service or product compare to those of your competitors in terms of usefulness, cost, styling, ergonomics, time-to-market, strategic alliances, technological innovations, compatibility with related product, etc?

Description of the Target Market:

- Briefly define your relevant market.
- What is the current size and expected growth of your target market?
- What segments will you be targeting?
- Who will your first customer(s) be?
- What proof can you offer that your target customers will value your product or service?

Essence of Marketing Approach

- What do you need to do very well in order to win this market?
- Indicate the key marketing methods used to accomplish sales
- Summarize your pricing position relative to the rest of the industry
- Summary the distribution channel approach

Technology and Operational Issues:

- What technology will you employ?
- Where are you in terms of R&D on the products/services?
- Will production be handled by you or outsourced?
- What is unique about your approach to production or operations?

The Team:

- Who are you and why can you do this?
- Briefly summarize your team's qualifications.

Economics:

- What are the firm's margins and volumes?
- Is the cost structure more fixed or variable?
- Make clear the model for making money.

Financial Highlights:

- When will breakeven be achieved?
- What is the level of potential sales of your product or service?
- What level of profits do you expect to achieve?

Financial Need:

- How much money are you requesting?
- From what sources are you looking for money and in exchange for what (e.g., how much equity)?
- What the rate of return investors will receive?

SECTION I: THE INDUSTRY

The "industry" refers to the larger landscape, as in the "computer hardware wholesale industry" or the "card and gift industry" or the "architectural services industry". The focus here is on what is happening in, and the relative attractiveness of, the industry as a whole. You are looking at the entire industry in the U.S. or globally. As such, this section does not involve any description of your company or your local market. This section of your plan needs to include the following information:

- Summarize the industry in which the proposed business will operate. Give the relevant SIC / NAICS code for the industry. How is the industry constructed/segmented?
- Discuss briefly industry size (in dollars) and annual growth rate (%); Where is the industry in its life cycle--emerging, early growth, rapid growth, early maturity, maturity, decline?
- Discuss the structure of the industry at present. How concentrated or fragmented is the industry? How many players are there, and how many are large versus small? Who are the largest and most important players in the industry? Outline Porter's 5 forces and draw conclusions. Provide a diagram of the value added chain to illustrate the key players in the industry.
- Highlight key trends in the industry. These can be found in the trade literature. Are costs going down or up? What about prices? Discuss any new products or developments, the rate of new product development, new markets and customers, new selling approaches, new pricing methods, new requirements or regulations, new entrants and exits, new technologies, and any other national or economic trends and factors that could affect the venture's business positively or negatively.
- Determine the key success factors for the industry and draw conclusions. What are the winners able to do consistently that the losers or also-rans to not do?
- Find standard financial ratios for the industry and summarize key ones.

SECTION II: THE COMPANY, CONCEPT, AND PRODUCT(S) OR SERVICE(S)

Now the focus turns to your own venture. First outline the nature of the entity you plan to create and where you are in that process, then capture the essence of your business concept and explain that concept, then detail the products and services you anticipate selling, and then talk about your entry approach and your vision for growth over the next five years.

A. The Company and the Concept

- What form will the company take (e.g., partnership, S-corporation, LLC, etc.), where will it be based, and when will it commence operations?
- Briefly summarize the company history, how the concept was discovered, as well as the current status of the company. Spell out the mission and main objectives of the company:
- Describe specifically the concept of the business (i.e. your **unique value proposition**...the core benefits you will provide to a user, the need or pain you will address)

B. The Product(s) or Service(s) Mix

- Describe in some detail each product or service you will be selling (what it is and isn't – describe the product fully and provide pictures or a brochure in the appendix if you can). Begin to sell your idea here by generating some excitement about your product or service.
- Discuss the application (what it does) of the product or service and describe the primary end use as well as any significant secondary applications (who will use it and why).
- Provide a picture (a diagram) of the intended depth and breadth of your product/service mix and which products will likely generate the lion's share of the revenue
- Emphasize any unique features of the product or service and how these will create or add significant value; also, highlight any differences between what is currently on the market and what you will offer that will

account for your market penetration. Be sure to describe how value will be added and the payback period to the customer. More specifically, discuss how many months it will take for the customer to cover the initial purchase price of the product or service as a result of its time, cost or productivity improvements. Describe the competitive strengths and how it differentiates you from competitors.

- Include a description of any possible drawbacks (including obsolescence or ease of someone else copying the product or service.
- Discuss any head start you might have that would enable you to achieve a favored or entrenched position in the industry e.g. proprietary rights (patents, copyrights, trade secrets or non-compete agreements. Describe the key factors that dictate the success of your product/service. Describe any features of the product or service that give it an "unfair" advantage over the competition e.g. proprietary knowledge or skills.
- Discuss any opportunities for the expansion of the product line or the development of related products or services. Emphasize opportunities and explain how you will take advantage of them.

C. Entry and Growth Strategy

- How will you initially enter the market?
- Share your vision for where the firm will be in five years.
- Summarize how quickly you intend to grow during the first five years and your plans for growth beyond your initial product or service.
- Discuss how you will create barriers to entry in terms of others copying your success.

SECTION III: MARKET RESEARCH AND ANALYSIS (aka 'THE MARKET')

This section of the business plan is one of the most difficult to prepare, yet it is arguably the most important. Other sections of the business plan depend on the market research and analysis presented here. Because of the importance of market analysis and the critical dependence of other parts of the plan on the information, you are advised to prepare this section of the business plan with great attention to detail. Take enough time to do this section thoroughly and to check alternative sources of market data.

This section should convince the reader or investor that **you truly know your customers.** It should convince the reader that your product or service a) will have a substantial market in a growing industry; and b) can achieve sales in the face of competition. For example, the predicted sales levels directly influence such factors as the size of the manufacturing operation, the marketing plan, and the amount of debt and equity capital you will require. Yet most entrepreneurs seem to have great difficulty preparing and presenting market research and analyses that show that their ventures' sales estimates are sound and attainable. Consult industry publications, articles in trade magazines and trade associations to understand how the industry defines, identifies and segments its customers. Then apply yourself creatively by integrating the information in a unique way.

A. Definition of Your Relevant Market and Customer Overview

- Provide a very specific definition of your relevant market. Where will your specific customers come from? What are the parameters that you are using to define the relevant market?
- Discuss who the customers for the product(s) or service(s) are or will be.
- Provide general demographics for the customers base in your defined market (note: below you will get into segmentation of this market and descriptors of segments).
- Make it clear if you must serve more than one market (e.g., a website that must sell both to advertisers and to users of the site). Include separate discussions of the issues below for each market.

B. Market Size and Trends:

- For your defined market, estimate market size and potential in dollars and units. You will need to "invent a methodology" for making these estimates based on the kinds of data you are able to fine.

- Note the key assumptions that your projections are based upon.
- Estimate the size of the primary and selective demand gaps.
- Describe also the potential annual growth rate for at least three years of the total market for your product(s) or service(s) for each major customer group, region, or country, as appropriate.
- Discuss the major factors affecting market growth (e.g., industry trends, socioeconomic trends, government policy, and population shifts) and review previous trends in the market. Any differences between past and projected annual growth rates need to be explained.

C. Buyer Behavior:

- Here you want to get into who buys, when, why, where, what and how.
- Who is the actual purchase decision-maker? Does anyone else get involved in the buying decision-process?
- How long is the customer's buying process (from where they have never heard of your product through when they make a purchase).
- What are the key stages or steps in the customer's buying process and what happens in each stage that might have marketing implications?
- Show who and where the major purchasers for the product(s) or service(s) are in each market segment. Include regional and foreign countries, as appropriate.
- Indicate whether this is a high, medium or low involvement purchase and draw implications.
- Indicate whether customers are easily reached and receptive.
- Describe customers' purchasing processes, including the bases on which they make purchase decisions (e.g., price, quality, timing, delivery, training, service, personal contacts, or political pressures) and why they might change current purchasing decisions.
- Discuss interviews you have had with users of this product or service category.
- List any orders, contracts, or letters of commitment that you have in hand. These are far and away the most powerful data you can provide. List also any potential customers who have expressed an interest in the product(s) or service(s) and indicate why. Also explain what you will do to overcome negative customer reaction. Indicate how quickly you believe your product or service will be accepted in the market.
- List and describe your five potentially largest customers. What percentage of your sales do they represent?
- In what way are customers dissatisfied with current offerings in the market place or what emerging customer groups are being ignored?

D. Market Segmentation and Targeting

- Discuss how your defined market can be broken down into specific market segments. Be creative and insightful in describing the existing segments.
- Note that potential customers need to be classified by relatively homogeneous groups having common identifiable characteristics (they must be homogeneous in terms of needs or buying behavior). What characteristics define your target customers (demographics, psychographics, benefits sought, information sources utilized, product usage rate, etc.).
- Include a table summarizing the various segments.
- Which segments represent the greatest sales potential?
- Indicate which segments you will be prioritizing.

E. Competition and Competitive Edges

- Identify potential/actual direct and indirect competitors. DO NOT INDICATE THAT THERE IS NO COMPETITION. Make a realistic assessment of their strengths and weaknesses. Discuss the 3 or 4 key competitors and why customers buy from them, and determine why customers might leave them.
- Assess the substitute and/or alternative products/ services and list the companies that supply them, both domestic and foreign, as appropriate.
- Discuss the current advantages and disadvantages of competitor products and the extent to which they are not meeting customer needs.

- Compare competing and substitute products or services on the basis of market share, sales, distribution methods, economies of scale, and production. Review the financial position, resources, costs, and profitability of the competition and their profit trends.
- Compare also important attributes such as quality, price, performance, delivery, timing, service, warranties, and pertinent features of your product/service with those of competitors.
- Compare the fundamental value that is added or created by your product or service, in terms of economic benefits to the customer and to your competitors.
- Indicate any knowledge of competitors' actions, or lack of action, that could lead you to new or improved products and an advantageous position. Why aren't they doing what you will be doing? Discuss whether competitors are simply sluggish or non-responsive or are asleep at the wheel.
- Indicate who are the service, pricing, performance, cost, and quality leaders. Discuss why any companies have entered or dropped out of the market in recent years.
- From what you know about competitors' operations, explain why they are vulnerable and why you can capture a share of their business. What makes you think it will be possible to compete with them.

F. Estimated Market Share and Sales:

- Summarize what it is about your product(s) or service(s) that will make it saleable in the face of current and potential competition. Mention, especially, the fundamental value added or created by the product(s) or service(s).
- Discuss which customers could be major purchasers in future years and why.
- Based on your assessment of the advantages for your product or service, the market size and trends, customer, the competition and their products, and the trends of sales in prior years, estimate the share of the market and the sales in units and dollars that you will acquire in each of the next three years. Remember to show assumptions used in your calculations. DO NOT INDICATE THAT IT IS A $100 MILLION MARKET AND THAT YOU ONLY HAVE TO CAPTURE EIGHT TENTHS OF ONE PERCENT TO BREAK EVEN---AS THAT MAY SEEM EASILY ACHIEVABLE TO YOU BUT IT IS NOT!
- Show how the growth of the company sales in units and its estimated market share are related to the growth of its industry and customers and the strengths and weaknesses of competitors. Remember, the assumptions used to estimate market share and sales need to be clearly stated.

G. Ongoing Market Evaluation:

- Explain how you will continue to evaluate your target markets so as to assess customer needs and service and to guide product-improvement programs and new-product programs, plan for expansions of your production facility, and guide product/service pricing. Explain how you make the necessary strategic changes in your plan.

SECTION IV: THE ECONOMICS OF THE BUSINESS

The economics of the business address the basic logic of profit in your business. Two companies in the same industry might make profit in very different ways. Will this be a high margin, low volume business with low fixed costs? Will it be a low margin, high volume business where the cost structure is predominantly variable? What's it going to take to breakeven?

A. Revenue Drivers and Profit Margins:

- Summarize the major revenue sources (products and services) of the business and proportionately where you expect to make your money.
- Describe the size of the gross margins (i.e., selling price less cost of goods sold or variable costs) and the for each of the product(s) and/or service(s) you are selling Where you have multiple products or product lines, calculate the contribution margin for each product line and then determine the weighted average

contribution margins by weighting the individual contribution margins based on the percentage of total sales expected to come from that product line. Include results of your overall contribution analysis.

B. Fixed and Variable Costs:

- Provide a detailed summary of fixed and variable costs, in dollars and as a percentages of total costs, for the product or service you offer and the volume of purchases and sales upon which these are based. For analysis purposes, classify semi-variable costs as either fixed or variable.
- Show relevant industry benchmarks for costs.

C. Operating Leverage and its Implications

- Characterize whether your cost structure is predominantly fixed or variable and then indicate the implications. For example, if you have a high fixed cost structure, you have high operating leverage which means it takes longer to reach breakeven, but once there, much more of your revenue flows straight to the bottom line. High operating leverage (high fixed costs) suggests a riskier venture, at least initially.

D. Start Up Costs

Distinguish the one-time start-up costs of the business from the ongoing operating costs.

E. Overall Economic Model

- Put the pieces above together. Indicate how you will make money in terms of the combination of margins, volumes, operating leverage and revenue source flexibility. How attractive is this combination?

F. Breakeven Chart and Calculation

- Make clear what your unit of analysis is for the purpose of calculating breakeven.
- Calculate breakeven and prepare a chart that shows when breakeven will be reached and any stepwise changes in breakeven that may occur. Present a chart for the break-even point in the appendix.
- Discuss the breakeven shown for your venture and whether it will be easy or difficult to attain breakeven, including a discussion of the size of break-even sales volume relative to projected total sales, the size of gross margins and price sensitivity, and how the break-even point might be lowered in case the venture falls short of sales projections.

G. Profit Potential and Durability:

- Describe the magnitude and expected durability of the profit stream the business will generate (before and after taxes) and reference appropriate industry benchmarks, other competitive intelligence, or your own relevant experience.
- Address the issue of how solid or vulnerable the profit stream appears to be. Provide reasons why your profit stream is solid or vulnerable, such as barriers to entry you can create, your technological and market lead time, and so on.

SECTION V: THE MARKETING PLAN

The **Marketing Plan** describes how your projected sales will actually be attained. How will you make sales actually happen? A great idea is meaningless if you cannot find customers. Thus, this section builds on the **Market Section**, where you defined your market and outlined your targeted segments and their buyer behavior. The marketing plan needs to provide detail on the overall marketing strategy that will exploit the opportunity and your competitive

advantages. Include a discussion of sales and service policies, pricing, distribution, promotion and advertising strategies, and sales projections. The marketing plan needs to describe what is to be done, how it will be done, when it will be done, and who will do it.

A. Overall Marketing Strategy:

- Describe the specific marketing philosophy and strategy of the company, given the value chain and channels of distribution in the market niche(s) you are pursuing. Include, for example, a discussion of the kinds of customer groups that have already placed orders, have expressed an interest, or will be targeted for either initial intensive selling efforts. Explain how you will try to position your products or services in the marketplace and in the minds of particular target audiences.
- How will you differentiate your product/service from your competitors?
- Make it clear how your marketing strategy reflects the characteristics of the primary market segments you will be targeting.
- Indicate whether the product(s) or service(s) will initially be introduced internationally, nationally, regionally, or locally; explain why, and indicate any plans for extending sales at a later date.
- From an overall standpoint, make it clear whether marketing efforts will center on personal selling, media advertising, or what (you will get into specifics below).

B. Pricing:

- Discuss pricing strategy, including the prices to be charged for your product and service, and compare your pricing policy with those of your major competitors, including a brief discussion of payback (in months) to *the customer*.
  - .Explain how the price you set will enable you (1) to get the product or service accepted, (2) to maintain an increase in your market share in the face of competition, and (3) to produce profits.
  - Justify your pricing strategy and differences between your prices and those for competitive or substitute products or services in terms of economic payback to the customer and value added through newness, quality, warranty, timing performance, service, cost savings, efficiency, and the like.
  - If your product is to be priced lower than those of the competition, explain how you will do this and maintain profitability (e.g., through greater value added vial effectiveness in manufacturing and distribution, lower labor costs, lower material costs, lower overhead, or other component of cost).
  - Discuss pricing structure, or how your prices will differ by aspect of the product or service, by customer group, and by time and form of payment (e.g., the discount structure).
  - Discuss the use of special price offers, rebates, coupons, and so forth. This can be done under price or under sales promotion.

C. The Selling Cycle

- In the MARKET section you described the customer's buying process. Now, map out a selling cycle or process that reflects that buying process. How do you plan to move a customer from never having heard of you to being a loyal user?
- Make it vividly clear how your overall use of personal selling, advertising, and publicity will reflect a blend of tools that moves your target customer through their buying process.

D. Sales Tactics

- Describe the methods (e.g., own sales force, sales representatives, ready-made manufacturers' sales organizations, direct mail, or distributors) that will be used to make sales and distribute the product or service. Also include both the initial plans and longer-range plans for a sales force. Include a discussion of any special requirements (e.g., refrigeration).
- Describe how distributors or sales representatives, if they are used, will be selected when they will start to represent you, the areas they will cover and the build-up (a head count) of dealers and representatives by month, and the expected sales to be made by each.

products or services in terms of economic payback to the customer and value added through

- If a direct sales force is to be used, indicate how it will be structured and at what rate (a head count) it will be built up; indicate if it is to replace a dealer or representative organization and, if so, when and how. How will you recruit, train and compensate the sales force?
- Show the sales expected per salesperson per year and what commission, incentive, and/or salary they are slated to receive, and compare these figures to the average for your industry.
- Present a selling schedule and a sales budget that includes all marketing promotion and service costs.
- Discuss any seasonal trends that underlie the cash conversion cycle in the industry and what can be done to promote sales out of season.

E. Advertising and Sales Promotions:

- Describe the media approaches the company will use to bring its product or service to the attention of prospective purchasers. How will you inform your target market about the availability of your product/service and continue to communicate the benefits you are offering to that market
- If direct mail, magazine, newspaper, or other media, telemarketing, or catalog sales are to be used, indicate the specific channels or vehicles, costs (per 1,000), and expected response rates and yield (as percentage) from the various media, and so on, used. Discuss how these will be built up.
- For original equipment manufacturers and for manufacturers of industrial products, indicate the plans for trade show participation, trade magazine advertisements, direct mailings, the preparation of product sheets and promotional literature, and use of advertising agencies.
- For consumer products, indicate what kind of advertising and promotional campaign is planned to introduce the product. Specify types of media to be employed and what kinds of sales aids will be provided to dealers, what trade shows, and so forth, are required.
- Present a schedule and approximate costs of promotion and advertising (direct mail, telemarketing, catalogs, etc.), and discuss how these costs will be incurred. Determine the total marketing budget required.
- Note any viral or buzz marketing efforts you plan to employ.

F. Publicity

- What methods will you use to get free publicity for your business?
- What sort of guerrilla publicity tactics will you employ?
- How might you create news?

G. Customer Service (can be covered here or in the OPERATIONS section)

- How will customer service be defined and measured?
- What system will you have in place to manage customer service and ensure service levels are consistent?

H. Warranty or Guarantee Policies:

- If your company will offer a product that will require service, warranties, or training, indicate the importance of these to the customers' purchasing decisions and discuss your method of handling service problems.
- Describe the type and terms of any warranties to be offered, whether company service people, agencies, dealers and distributors will handle service, or simply return to the factory.
- Indicate the proposed charge for service calls and whether service will be a profitable or loss operation.
- Compare your service, warranty, and customer training practices to those of principal competitors.

I. Distribution:

- Describe the methods of distribution you will employ. Why is this best/better?

- Discuss the value chain and the resulting margins to be given to retailers, distributors, wholesalers, and salespeople and any special policies regarding discounts, exclusive distribution rights, and so on, given to distributors or sales representatives and compare these to those given by your competition.
- What distribution channel(s) will be important to your business? How will you gain access to these channels? Note any special issues that need to be resolved, or present potential vulnerabilities.
- Explain any methods to be employed to obtain distributor cooperation and support.
- If international sales are involved, note how these sales will be handled, including distribution, shipping, insurance, credit, and collections.

SECTION VI: DESIGN AND DEVELOPMENT PLAN

This is a very important section for those teams developing a non-existent product, doing research and development, having technical obstacles to overcome, or seeking patent or copyright protection. However, if you are in a business where research and development is not a major issue (e.g., retailing, many consumer services), then you can leave this section out and just address and technologies you plan to employ in the OPERATIONS section.

The nature and extent of any design and development work, and the time and money required before the product or service is marketable, need to be considered in detail. (Note that design and development costs are often underestimated.) Design and development might be the engineering work necessary to convert a laboratory prototype to a finished product; the design of special tooling; the work of an industrial designer to make a product more attractive and saleable; or the identification and organization of employees, equipment, and special techniques, such as the equipment, new computer software, and skills required for computerized credit checking, to implement a service business.

A. Development Status and Tasks:

- Define the present state of development of the product or service and how much time and money will be required to fully develop, test, and introduce the product or service. If appropriate provide a drawing, or a summary of the functional specifications and photographs of the product, if available.
- Explain what remains to be done to make the product fully useable and ready for sale.
- Describe briefly the competence or expertise that your company has or will require to complete this development.
- List any customers or end users who are participating in the development, design, and/or testing of the product or service. Indicate results to date or when results are expected.
- How do you intend to ramp-up your business? Give a roadmap of how you are going to get from where you are now to where you want to be in the future.

B. Difficulties and Risks:

- Identify any major anticipated design and development challenges and approaches to their solution.
- Discuss the possible effect on the cost of design and development, on the time to market introduction, and so forth, of such problems.

C. Product Improvement and New Products:

- In addition to describing the development of the initial products, discuss any ongoing design and development work that is planned to keep product(s) or service(s) competitive and to develop new related product(s) or service(s) that can be sold to the same group of customers. Discuss customers who have participated in these efforts and their reactions, and include any evidence that you may have.

D. Costs:

- Discuss the design & development budget, including costs of labor, materials, consulting fees, etc.
- Discuss the impact on cash flow projections of underestimating this budget, including the impact of a 15 to 30 percent contingency.

E. Proprietary Issues (THIS IS WHERE YOU DISCUSS INTELLECTUAL PROPERTY):

- Describe any patent, trademark, copyright, or intellectual property rights you own or are seeking.
- Do you have any trade secrets?
- Describe any contractual rights or agreements that give you exclusive or proprietary rights.
- Discuss the impact of any unresolved issues or existing or possible actions pending, such as disputed rights of ownership, regulated to proprietary rights on timing and on any competitive edge you have assumed.

SECTION VII: OPERATIONS PLAN

The operations section outlines how you will run your business and deliver value to your customers. Operations is defined as the processes that deliver your products/services to a customer or user and can include the production process for delivering your service to a given customer, manufacturing process if you are a manufacturer, transportation, logistics, travel, printing, consulting, and after-sales service. It also includes such factors as plant location, the type of facilities needed, space requirements, internal processes, capital equipment requirements, and labor force (both full- and part-time) requirements.

For a manufacturing business, the manufacturing and operations plan needs to include policies on inventory control, purchasing, production control, and which parts of the product will be purchased, which functions will be outsourced, and which operations will be performed by your workforce.

A service business or a retail business may require particular attention to location (proximity to customers is generally a must), the service delivery or merchandising system, minimizing overhead, and obtaining competitive productivity from a labor force. In many cases, up to 80% of your expenses will be for operations, 80% of your employees will be involved in operations and 80% of your time will be spent worrying about operating problems. You will probably have to make trade-offs with your operations ---it is impossible to have the lowest costs, highest quality, best on-time delivery and most flexibility in your industry all at the same time. This is where you have to make trade-off decisions that fit your other plans.

A. Operating Model and Cycle:

- Outline the operations process for your business. Identify the inputs, operations (key steps or stages) and outputs (present a flow diagram). This is a day in the life of actually producing your product or creating and delivering your service---walk us through the mechanics of doing so.
- Distinguish your model for managing 'front stage' versus 'back stage' operations.
- Where are you likely to have bottlenecks in your service delivery or manufacturing process and how will these be anticipated and addressed.
- Describe the lead/lag times that characterize the fundamental operating cycle in your business.
- Explain how any seasonal production loads will be handled without severe dislocation (e.g., by building to inventory using part-time help in peak periods).
- What quality consistency issues exist and how will quality consistency be ensured? What controls exist, for instance, to ensure every burger is cooked exactly the same?

B. Operations Strategy and Plans:

- Describe the management of the manufacturing processes involved in production of your product(s) – what will you do in-house and what will you purchase (i.e. make versus buy decision) or outsource? ***or***

Describe the service delivery processes involved in providing your service(s) and any aspects of the service that are outsourced or provided by others.

- Justify your proposed make-or-buy policy in terms of inventory financing, available labor skills, and other non-technical questions, as well as production, cost, and capability issues.
- Discuss who potential subcontractors and suppliers are likely to be and any information about, or any surveys that have been made of, these subcontractors and suppliers. Discuss relationships with them.
- Discuss your capacity and present a plan for operations that shows cost/volume information at various sales or production levels with breakdowns of applicable material, labor, purchased components, and overhead, and that shows the inventory required at these various sales levels.
- Describe your approach to quality control, production control, inventory control, and explain what quality control and inspection procedures the company will use to minimize service problems and associated customer dissatisfaction. How will you win in the market place on cost, quality, timeliness or flexibility?

C. Geographic Location:

- Describe the planned geographic location of the business. Include any location analysis, site selection etc. that you have done.
- Discuss any advantages or disadvantages of the site location in terms of such factors as labor (including labor available, whether workers are unionized, and wage rate), closeness to customer and/or suppliers, access to transportation, state and local taxes and laws (including zoning regulations), access to utilities, and so forth.

D. Facilities, Equipment and Improvements:

- Describe the facilities, including plant and office space, storage and land areas, special tooling, machinery, and other equipment needed to conduct business. Discuss any economies to scale.
- Provide a schematic diagram of the layout of your facility.
- Describe how and when the necessary facilities to start production will be acquired.
- Discuss whether equipment and space will be leased or acquired (new or used) and indicate costs and timing of such actions and how much of the proposed financing will be devoted to plant/equipment.
- Discuss how and when, in the next three years, office/ retail site/ plant space and equipment will be expanded to the capacities required by future sales projections and any plans to improve or add to existing space or move the facility; indicate the timing and cost of such acquisitions.

E. Legal Issues Affecting Operations:

- Describe any particular legal issues affecting your operations. As examples, in a food service operation, certain permits and venting are required; in a production operation with outsourced production, there are legal issues governing the outsourcing agreement; when selling through a manufacturers rep or a retail channel there are legal issues affecting the distribution agreement; when setting up a franchise system there are legal issues tied to the franchising agreement; when selling something on a university campus there are legal constraints in operating on the campus; when operating in certain countries there may be some legal or regulatory issues that require attention, and so forth. Note that legal issues affecting intellectual property are handled in the 'Design and Development' section.

SECTION VIII: MANAGEMENT TEAM

This section of the business plan includes a description of the functions that will need to be filled, a description of the key management personnel and their primary duties, an outline of the organizational structure for the venture, a description of the board of directors and key advisors, a description of the ownership position of any other investors, and so forth. You need to present indications of commitment, such as the willingness of team members to initially accept modest salaries, and of the existence of the proper balance of technical, managerial, and business skills and experience in doing what is proposed.